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ONS

Stavanger, 23 August 1994

ENERGY STRATEGIES FOR THE WORLD - A CASE FOR INTERNATIONAL COOPERATION

It is an honour and pleasure for me once again to address the Offshore Northern Seas Conference. The ONS has established itself as a key forum for the dialogue between government and industry that is so essential for our economies, resource management, long-term energy supply, and environmental protection.

Historically, energy had to be supplied from whatever local source that was available. Today, however, energy is probably the most global commodity of all.

We can safely assume that the global dependence on energy will increase. Today, some 90 % of total energy supplies come from fossil fuels. The global population is likely to double or triple in the course of the century. If growth continues in Asia and Latin-America, and if growth and development finally will come to Africa, the global need for energy will be enormous. Even if we make great progress in using energy more effectively, demands can clearly not be met largely by relying on fossil fuels.

The environmental challenges have for a long time called for more prudent use of fossil fuels. It is clear that the depletion of limited resources cannot continue at today's rate. But it is not clear today how, concretely, we can change towards a more sustainable mix of energy, with greater reliance on renewables. Yet we know that we must change the existing pattern toward more environmentally benign energies to achieve sustainable development. We know that we cannot continue to perpetuate present production and consumption patterns.

In the fields of economic, social and environmental development, global efforts to deal with change are lagging far behind the pace of change itself. Profound changes are needed in the ways our economies work. The world economy has to a larger extent become global, but the management of economic and ecological interdependence has not.

In addition, today's prices are not conducive to research, and development of alternatives. What the prices do however, is to accelerate the use of finite resources. Clearly, we have not organized ourselves in a way that meets the real challenge. Regional cooperation is still inadequate and global cooperation is far too weak.

Energy producers should see the future as providing opportunities as well as responsibilities. The interdependence between producers and

consumers of energy is obvious. It should be considered an asset and not a liability.

The present unemployment rates in many countries have made an impact on public interest in environmental protection. Many countries see increased energy prices as undesirable at this particular point in time when creating jobs is job No 1.

The breakdown of the former Soviet Union and developments in Eastern and Central Europe and the need to restore healthy economies in those countries are important for energy needs and energy supply. The peace process in the Middle East and the Gulf-war are also important for the supply and pricing of energy and illustrate the link between international politics and energy security. It is on this background of profound global change that we have to deal with energy issues at an international level.

Integration and cooperation has become the recipe for the survival for countries in search of more security and stability. Increasingly forces influencing our future are operating across borders. We must lift public and democratic decision-making and governance to that same level. There is no alternative to governments acting together. Unilateralist approaches to international issues will only prolong current unsustainable trends.

As one of the driving forces for technological innovation and growth in productivity, competition has stimulated new levels of human aspiration and made high levels of achievement possible.

However, the competitive market cannot deal with every challenge we are facing, and private competition alone cannot handle efficiently our long term issues. The same applies to competition between states. Thus, the response to future challenges demands an improved system of global cooperative governance.

The present situation falls dangerously short of our needs. Existing international institutions are too weak to secure political decisions that are effective in a global context. The absence of organized forms of environmentally and socially accountable, democratic governance at global level emerges as the fundamental weakness of the present world order. The gap must be bridged between the powerful process of economic globalization driven by millions of individual companies and corporations on the one hand, and the explosive nature of most social, economic, environmental and political problems across countries and regions of the world.

Clearly we need a global strategy for the energy future. The European Energy Charter as well as the ongoing producer- consumer dialogue are important contributions to these ends. We need an energy strategy with a global objective. This can only be achieved when the global community commits itself to a common understanding of the objective, and to a willingness to accept means and coordinate measures needed to reach it.

Energy efficiency is essential. We must stimulate energy efficiency throughout the whole energy cycle. To achieve this, the environmental cost must be reflected in energy prices. We cannot continue the vast subsidies of polluting fuels or of unsustainable energy use. The safety and waste issues connected with nuclear power need to be dealt with as well. Also nuclear energy prices should reflect the full environmental and social cost.

It is therefore high time that the countries of the European Union as well as Japan and America adopt more effective measures to achieve more responsible energy uses

The entering into force of the Framework Convention on Climate Change in March this year marked the new beginning and a global recognition of the environmental threats facing us. Moreover, the Convention represents a milestone as the first example of a new generation of international environmental agreements. So far, however, the Convention fails to set firm targets for reduction of emissions.

We have to move beyond the commitments of the present Convention and adopt quantitative targets for all greenhouse gases which originate in developed countries. Equal percentage reductions are not effective as there are great dissimilarities between the energy- and industry structures of OECD-countries. This fact is recognized in other agreements, such as the second sulfur protocol, which is based on principles of critical environmental load and cost-effectiveness.

Introduction and harmonization of economic measures, for instance in the form of a more generalized CO₂ tax, is necessary in order to achieve ambitious targets.

Lastly, I would like to underline the idea of joint implementation, which means that countries can cooperate in reducing emissions in a cost-effective a manner .

Many oil-producing countries are concerned to see that Norway, itself an oil exporting country, has introduced and advocates levies on the use of fossil fuels in order to curb emissions of CO₂. Many would argue that such measures are a threat to a nation's oil revenues. It must also be admitted that such taxes, while they influence consumption patterns, may divert financial resources from producing to consuming countries.

However, production control by producers is also a viable option to limit oil consumption by rising prices.

In 1992, Norway co-operated with Egypt and Italy in hosting the Ministerial Workshop on Energy on the need for a new Global Energy Policy Interrelationship between energy producing and consuming countries. The objective of the meeting was to give political impulse to a dialogue process, with focus on the links between energy, environment and economic development.

Next month, the Government of Spain will host a third producer-consumer meeting at political level. The aim of the meeting will be to focus on the emerging role of natural gas as an alternative source of energy. The meeting will also focus on oil and the environment.

The oil market has been characterized by instability, uncertainty and unpredictability. I believe that a form of market management is necessary to avoid excessive price volatility in the future and secure the long term security of supply.

The OPEC countries, that presently supply 40 percent of the world's oil and possess about 75 percent of the world's oil reserves, have a major role in the stabilization of the oil market. The IEA, too, has tried to avoid the negative impacts of supply disturbances and fluctuating oil prices by promoting a diversification of energy sources, energy efficiency, and emergency systems.

During the Gulf-crisis it became clear how OPEC's role can influence us all - and the global economy. These experiences gave greater support to the idea of common interests between consumers and producers. In the past years oil prices have been too low to promote stable levels of supply and demand.

Western Europe will increase its dependence on energy import in the years to come. Its need for energy is paired by the need of Eastern Europe for technology, capital and competence that Western Europe has to offer.

This is the basis for the European Energy Charter and the desire to establish a European cooperation in the energy field.

OECD countries have been negotiating for three years to formulate legally binding, and balanced rules on access to natural resources, to energy markets and to transport and transit of energy. The central aims for the negotiations are to secure stable supplies of energy to Europe, to develop trade in energy in this area, to secure a more rational use of energy, to improve the distribution networks and the exploitation of energy resources, all with due consideration of the environment.

The first stage of the negotiations on the European Energy Charter were concluded in June this year. Norway believes in the need for a comprehensive framework for energy cooperation with the Central and Eastern European states. But we equally believe that the European Energy Treaty must be balanced as regards producer and consumer interests.

If these aims of the Charter Treaty are reached, it will contribute both to the security of energy supplies in Europe and to the liberalization of European energy markets.

The European Union is a good example of a regional system of cooperation that could help define a regional energy strategy which would also be of relevance to a global energy strategy. The members of the Union

are both consumers and producers, as well as potential investors in other regions of the world. An energy strategy for the European Union should therefore take into consideration the aims and needs of other parts of the world as a European strategy will have impact also in other regions.

As you all know, I feel that Norway as a significant energy producer has a natural place within the European Union. As I see it, the obvious place for Norway is to be participating in the on-going work of the Union to define a common energy policy. We can best do this within the Union and not outside. That way, Norway will have a real possibility to influence decisions that will affect Norway greatly whether we are members of the Union or not. The Minister of Industry and Energy will elaborate further on this issue tomorrow.

To conclude, in the short term I do not foresee the establishment of *one* overall or global energy strategy for the world. However, the energy sector is definitely in need of further international cooperation. It is important that we develop the various national processes and mechanisms to achieve a sustainable development, where secure and environmentally sound energy supplies are key elements. We must be innovative and flexible. Our approaches must go hand-in-hand with the dynamics of development. Only by combining vision and down-to-earth practicability can we develop a process that will meet the urgent demands of the present, while remaining viable and giving direction for the future.

Government and industry must together lay the foundation for a common, cooperative energy future. In securing energy supplies and protecting the environment the business community and governments have to act together. The oil and gas industries can offer risk capital, competence and technology. Governments will establish the frameworks for their operations. To achieve security of energy supplies and environmental protection, we need to develop stable market and framework conditions. A good example is development of gas where long term commercial relations are needed to develop production and markets. This should also be acknowledged by governments in their policy making.

This year's Offshore Northern Seas conference and exhibition makes an important contribution to this cooperative process. I wish you every success in your efforts.